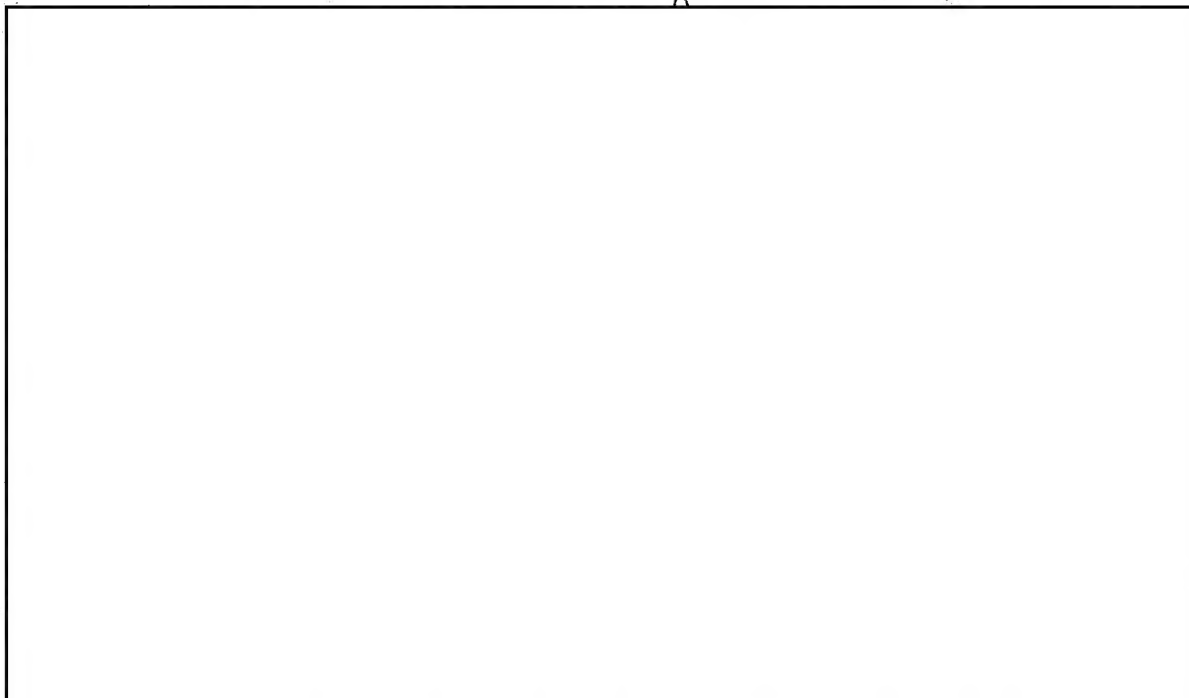


CONFIDENTIAL

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After further consideration, we should like to alter our proposal of 27 March 1967.

We request that the estimated cost of the contract be increased from [redacted] which would increase the cost by [redacted] and leave the incentive fee schedule unchanged. The [redacted] a breakdown for which is attached, represents our estimate to complete work on this contract from 24 March 1967. We would complete work within eight months of your authorization to proceed.

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By the above, [redacted] is proposing to absorb the cost difference between our actual expenditures of about [redacted] and the current total estimated cost of the contract in the amount of [redacted] for the period through 23 March 1967.

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We realize this represents a slight change from our earlier proposal, but feel that the Government should not be called upon to bear any costs over the current authorized contract cost for our work in connection with completing the first device.

Very truly yours,

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The Sine Wave Test Equipment (SWTE) was originally proposed in a single version, in which the source, target and contrast control were included in the same package. This was found to be inadequate for testing systems such as viewers, where it was desired to include the system light source and condensing optics in the test. Subsequently, a technique was invented to solve this problem, and resulted in a proposal which would place the target in the system object plane and accomplish the contrast control and modulation assessment in a separate analyzing device.

The contract was then amended to include this second version, providing two instruments which were to be delivered. Subsequent developments of the first, fundamental instrument ran into the usual problems associated with prototype development, plus a few new ones (because of those aspects of the instrument which were as yet untried). It was found necessary to utilize special ground glass in the diffuser, pay attention to light brightness and condensing systems, and strict attention to the polarizers and birefringence of the other optical elements. This resulted in delays, and ultimately in a re-design of the instrument (into which [ ] invested approximately \$STATINTL [ ] if its own capital). But that instrument is now perfected beyond that capability initially envisioned.

The delays and additional time and material expenditures used up much of the funds allotted for the second version. This was done with the approval of the contract monitor and his technical advisor, in the full knowledge that acceptance of the first instrument in an unperfected

condition would not have been in the best interests of the sponsor, and would not have solved the very basic problems attendant to optimization of the equipment performance. Thus an overrun on this equipment was felt justified, and the necessity for continuing development on the second version with an additional allotment of funds is felt to be as fully justified.